

BUY

TP: Rs 2,144 | ▲ 20%

SBI LIFE

| Insurance

| 25 July 2025

Steady quarter with sharp margin expansion

- Significant VNB margin expansion of 60bps YoY to 27.4%, aided by a favourable product mix
- APE continued to be moderate at 9.1% YoY in Q1FY26, on a higher base of Q1FY25
- SBILIFE is attractively valued with its long-term story intact; management reiterates APE and VNB margin guidance

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Significant margin expansion: SBILife reported a sharp VNB margin expansion of 60bps YoY to 27.5%, aided by a favourable product mix, increase in the share of non-par (currently mix at 19.4%) and protection (mix at 11.6%), a high margin product in the overall mix; repricing of non-par and rider attachments to products. Management reiterated VNB guidance of 26-28%, going forward driven by a continued focus on the agency channel through adding more branches, onboarding more agents, improving agent productivity and activation levels.

APE growth continued to be moderate: APE increased 9.1% YoY in Q1FY26 to Rs 39.7 bn, on a higher base of Q1FY25. This was aided by group APE growth (up 42% YoY). Individual APE rose 5.7% YoY in Q1FY26. Management reiterated its individual APE growth of 13-14% guidance in FY26, above the industry growth, which is expected to be at 12% in FY26E.

Favourable product mix: The company continues to focus on protection growth, going forward. Protection segment grew 36% YoY in Q1FY26 on NBP basis, which contributed 13.5% to the overall mix. Further, non-par too witnessed an increase of 9% YoY with a mix at 10.2%. During the quarter, SBILIFE launched products in the non-par and protection segments. Credit life grew 25% YoY and is expected to see similar growth going ahead. Group term insurance (GTI), too, witnessed double-digit growth, which is lumpy in nature and may see strong growth going forward. These two product segments constitute ~60% of the total protection on APE basis.

Maintain BUY: SBILIFE reiterated focus on investing in its agency and other distribution channels, to offset the slower business growth from the parent bank, which is likely to support APE growth, going forward. Additionally, emphasis on protection products is likely to aid margin expansion. Favourable movements in the yield curve and the cut in deposit rates are likely to support non-par products. We maintain BUY with TP to Rs 2,144, from Rs 2,008, assigning a multiple of 2.1x (previously 2.0x) to its Jun '27E P/EV.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SBILIFE IN/Rs 1,794
Market cap	US\$ 20.8bn
Free float	45%
3M ADV	US\$ 25.5mn
52wk high/low	Rs 1,936/Rs 1,373
Promoter/FPI/DII	55%/22%/18%

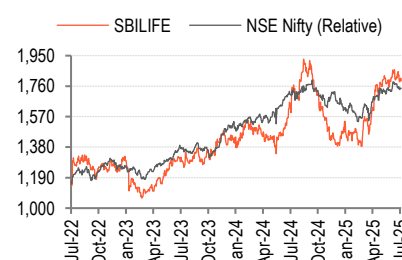
Source: NSE | Price as of 24 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	3,55,768	4,37,883	5,03,566
APE (Rs mn)	2,14,200	2,41,322	2,73,387
VNB (Rs mn)	59,548	68,777	79,282
Embedded Value (Rs mn)	7,02,500	8,22,745	9,62,619
VNB margin (%)	27.8	28.5	29.0
EVPS (Rs)	701.2	821.3	960.9
EPS (Rs)	24.1	18.5	20.9
Consensus EPS (Rs)	24.1	27.1	31.6
P/EV (x)	2.6	2.2	1.9

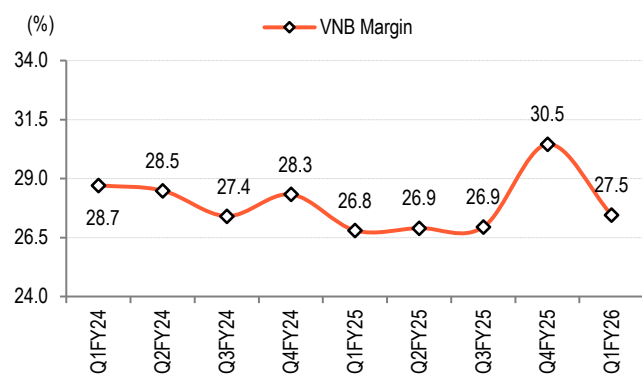
Source: Company, Bloomberg, BOBCAPS Research

Stock performance

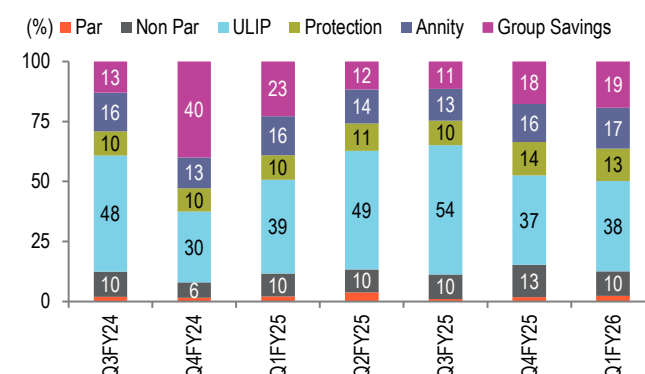


Source: NSE

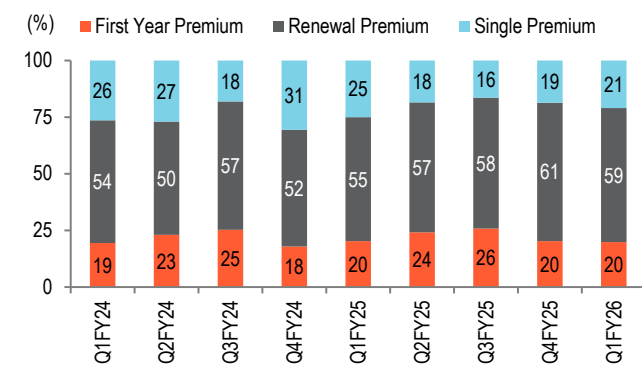


Fig 1 – Improvement in margins led by shift towards favourable product mix


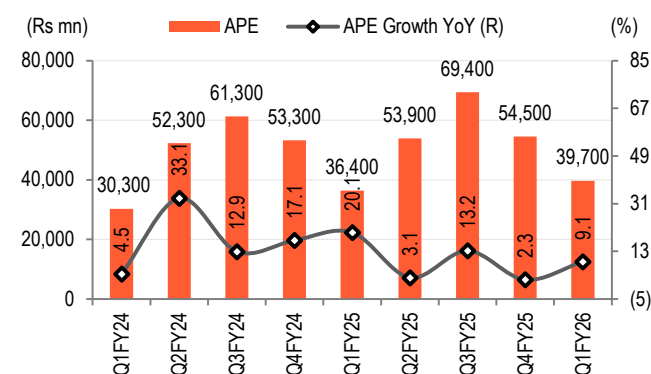
Source: Company, BOBCAPS Research

Fig 2 – ULIP share continues to increase


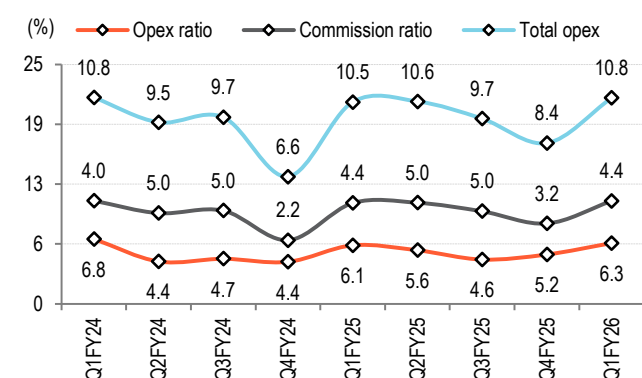
Source: Company, BOBCAPS Research

Fig 3 – Renewal premium supported growth to gross premium


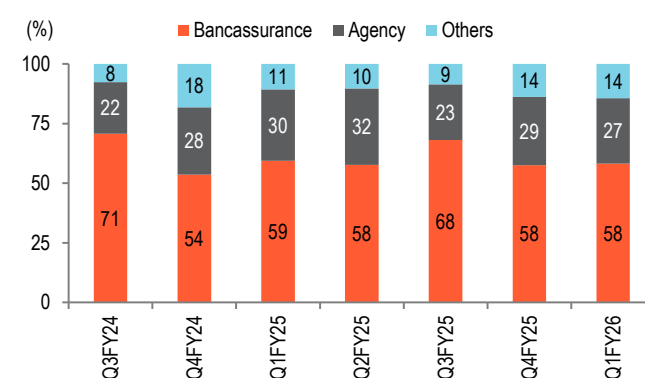
Source: Company, BOBCAPS Research

Fig 4 – APE growth grew 9.1% in Q1FY26


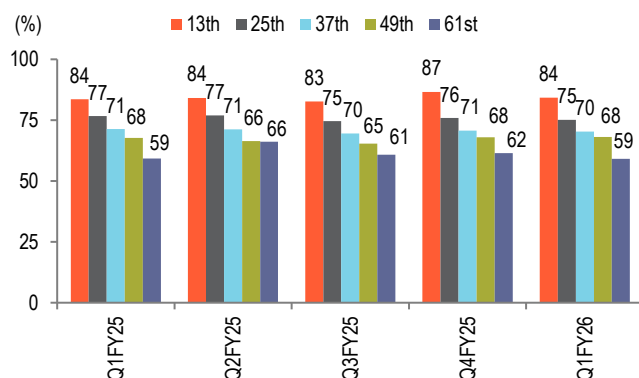
Source: Company, BOBCAPS Research

Fig 5 – Opex ratio stands at 10.8%


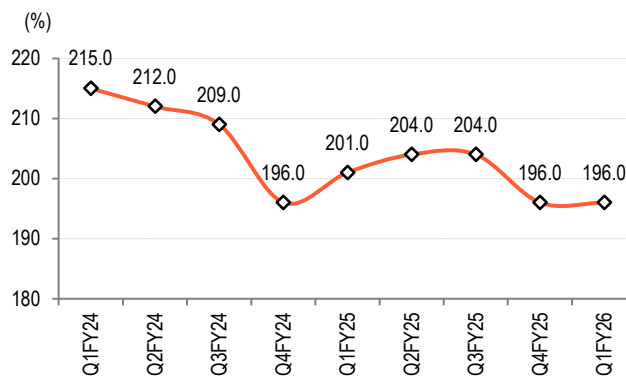
Source: Company, BOBCAPS Research

Fig 6 – Agency channel moderated, though expects strong growth ahead


Source: Company, BOBCAPS Research

Fig 7 – 49th month persistency affected due to Covid cohorts

Source: Company, BOBCAPS Research

Fig 8 – Solvency ratio remained at similar levels

Source: Company, BOBCAPS Research

Fig 9 – Policyholder's account

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Gross premium income	1,78,139	1,55,721	14.4	2,40,016	(25.8)
First Year Premium	35,395	31,464	12.5	48,587	(27.2)
Renewal Premium	1,05,463	85,387	23.5	1,46,803	(28.2)
Single Premium	37,281	38,870	(4.1)	44,626	(16.5)
Reinsurance	6,354	4,666	36.2	1,408	351.1
Net premium income	1,71,785	1,51,055	13.7	2,38,607	(28.0)
Income from investments (Net)	2,15,251	1,92,835	11.6	(10,408)	-
Other income	(77)	31	-	36	-
Contribution of funds from Shareholders' A/c	0	0	-	13,459	-
Total	3,86,959	3,43,921	12.5	2,41,694	60.1
Commission on					
First Year Premium	3,935	3,472	13.3	5,671	(30.6)
Renewal Premium	2,239	1,748	28.0	3,708	(39.6)
Single Premium	487	469	3.7	599	(18.7)
Others	1,200	1,198	0.2	(2,211)	-
Net Commission	7,861	6,887	14.1	7,768	1.2
Expenses of Management	19,152	16,404	16.8	20,151	(5.0)
Operating Profit	3,59,947	3,20,630	12.3	2,13,775	68.4
Provision for taxes	453	615	(26.4)	600	(24.6)
Benefits Paid (Net)	1,01,184	98,292	2.9	1,25,283	(19.2)
Change in actuarial liability	2,58,999	2,20,325	17.6	77,060	236.1
Surplus/Deficit	4,682	6,181	(24.3)	15,632	(70.1)

Source: Company, BOBCAPS Research

Fig 10 – Shareholder's account

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Transfer from Policyholders' Account	3,216	2,752	16.9	19,477	642.5
Investment Income	2,929	2,648	10.6	2,511	(20.6)
Other income	0	2	-	3	-
Expenses other than those related to insurance business	76	84	(10.0)	104	50.9
Transfer of funds to Policyholders' Account	0	0	-	13,459	-
Provisions for diminution in value of investments	(41)	(38)	7.6	21	143.0
Profit before tax	6,110	5,355	14.1	8,406	47.1
Provisions for tax	166	160	3.8	271	30.4
Profit after tax and before extraordinary items	5,944	5,195	14.4	8,135	47.7

Source: Company, BOBCAPS Research

Earnings Call Highlights

Business highlights

- Gross premium income rose 14% YoY, driven by renewal premium (up 23.5% YoY). First year premium income grew 12.5% YoY in Q1FY26. Single premium saw a decline of 4.1%.
- APE increased 9.1% YoY to Rs 39.7 bn. This was aided by group APE growth (up 42% YoY). Individual APE rose 5.7% YoY in Q1FY26.
- Individual rated premium stood at Rs 34.7 bn, reflecting 8% YoY growth, with a private market share of 22.3% and a total market share of 15.4%.
- New business premium rose 3.4% YoY.
- Indian embedded value grew 20% YoY to Rs 742.6 bn, led by MTM gains, unwinding and earnings growth in Q1FY26.
- Credit life grew 25% YoY and is expected to see similar growth, going ahead. GTI (group term insurance, too, witnessed double-digit growth, which is lumpy in nature and may see strong growth ahead. These two segments constitute ~60% of the total protection in APE terms. The company has stiff competition in the GTI segment.
- Going forward, management has guided that on an individual APE basis, it will grow by 13-14%, slightly ahead of the expected growth for total industry at 12%. Rider attachment on products has also improved for the company.

Product portfolio and mix

- SBILIFE continues to focus on the protection growth. Protection segment grew 36% YoY in Q1FY26, which contributed 11.6% to the overall mix.
- Guaranteed non-saving products contribute 19% to an individual APE basis, despite aggressive pricing trends across the industry.
- During the quarter, the company rolled out products in the non-par and protection segments. The company launched protection products with higher ticket size of Rs 20 mn.
- The company plans to maintain the overall product mix going ahead.

VNB margin

- VNB grew strong at 12.4% YoY; above APE growth.
- SBI Life reported a sharp margin expansion of 60bps YoY to 27.4%, aided by a favourable product mix, increase in the share of non-par (currently mix at 19.4%) and protection (mix at 11.6%); a high-margin product in the overall mix, repricing of non-par and rider attachments to ULIPs.
- Margin was also supported by the optimal cost structure. Opex ratio stood at 6.3% vs. 6.1% in Q1FY25. The ratio is expected to be in the range of 6-6.5% going forward on account of branch additions, digitisation and investments in the agency channel.

- VNB margin walk saw favourable movement on account of increase in business volumes, favourable product mix and operating assumptions, but saw a negative impact of economic assumptions, owing to yield curve movements.
- Management maintained the earlier VNB margin guidance of 26%-28%.

Channel Mix

- Agency channel witnessed a shift in the product mix, with its contribution to the non-par segment increasing by 722 bps and ULIP share declining to 59% in Q1FY26 from 68% in Q1FY25.
- Agency channel grew by 6% YoY, outperforming industry growth of 1%, with the management anticipating a continued strong momentum, going forward.
- Agency 2.0, which was started in Q1FY25, a focus area for the company, has gained traction and is expected to achieve growth in the mid-teens in FY26E. The company plans to fund operating expenses through internal accruals.

Persistence Ratio

- 49th month persistency ratio saw a temporary dip due to Covid cohorts. Management highlighted Covid cohort to further affect 69th month persistency going ahead.
- 13th and 61st month persistency improved by 58 bps and 501 bps respectively, reflecting better business quality and strong customer retention.

Others

- SBI Life added 31,000+ agents on a gross basis with 36 new branches opened in Q1FY26.
- Tax claim settlement ratio stands at 96.4%, while the mis-selling ratio stands at 0.02% — one of the lowest in the industry.
- New product launches of Q4FY25 ("Smart Future Star" and "Smart Platina Young Achiever") sold over 24,000 policies, collecting Rs 1,850 mn in premium.

Valuation Methodology

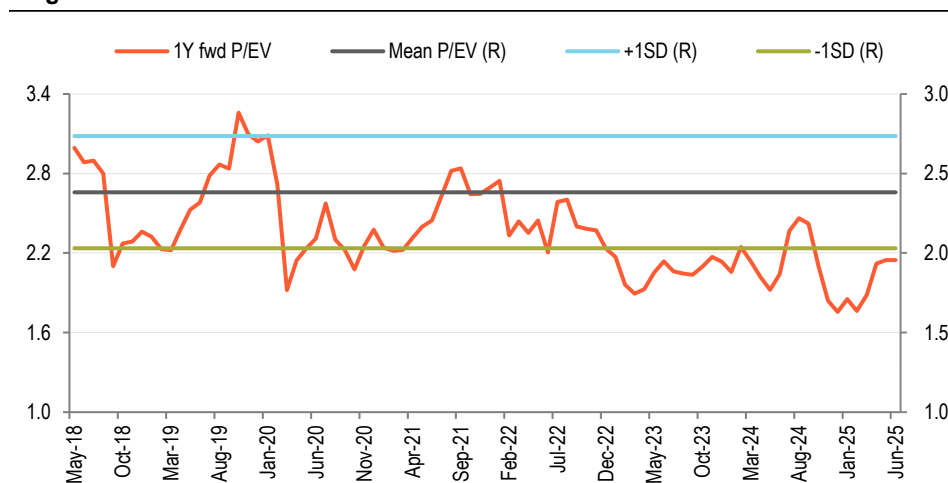
SBILIFE reiterated its focus on investing in its agency and other distribution channels to offset slower business growth from the parent bank, which will likely support APE growth going forward. Additionally, emphasis on protection products is likely to aid margin expansion. Favourable movements in the yield curve and a cut in deposit rates is likely to support non-par products going forward. We maintain BUY with TP to Rs 2,144, from Rs 2,008, assigning a multiple of 2.1x (previously 2.0x) to its Jun '27E P/EV.

Fig 11 – Actual vs Estimates

Rs mn	Q1FY26A	Q1FY26E	Variance (%)
Gross Premium	1,78,139	1,76,126	1.1
APE	39,700	39,003	1.8
VNB	10,900	11,252	(3.1)
VNB Margin	27.5	28.8	(139bps)

Source: Company, BOBCAPS Research

Fig 12 – P/EV Band



Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates:

- **Change in regulatory framework:** Any unfavourable change in regulations can affect business growth. For example, ULIP proceeds are currently taxed to the extent the yearly premium exceeds Rs 0.25mn. Similarly, any change in income tax rate for insurance companies could adversely impact profitability.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper ULIPs growth. Although insurance companies are opting for balanced product mixes, many of them have sizeable business coming from ULIPs.
- **Increasing interest rates:** Guaranteed-return businesses could be affected by a rise in interest rates as other financial instruments (e.g. deposits) become more attractive.

- **Adverse economic events:** A significant economic decline may result in financial difficulties or defaults by issuers of bonds in the company's investment portfolios. Shareholders' equity and earnings and policyholders' funds may also be affected by fair valuation of bonds held in investment portfolios.
- **High surrender of policies:** Life insurance companies face the risk of surrendered policies. In ULIPs, customers can withdraw policies after five years despite longer durations. Policies can also be surrendered in case of job loss and monetary requirements, among other factors, which lowers persistency ratios.

Glossary

Glossary of Abbreviations			
APE	Annual Premium Equivalent	NBP	New Business Premium
EOM	Expenses of Management	ROEV	Return on Embedded Value
EV	Embedded Value	ROP	Return of Premium
EVOP	Embedded Value Operating Profit	RWRP	Retail Weighted Received Premium
HNI	High Net Worth Individuals	ULIP	Unit Linked Insurance Plan
IRDAI	Insurance Regulatory and Development Authority	VNB	Value of New Business

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premium income	8,14,306	8,49,846	9,73,074	11,19,035	12,86,890
First year premium	1,74,757	1,93,716	2,08,830	2,23,807	2,57,378
Renewal premium	4,31,923	4,94,078	5,35,191	6,15,469	7,07,790
Single premium	2,07,626	1,62,052	2,29,053	2,79,759	3,21,723
Net written premium	8,05,871	8,40,598	9,63,343	11,07,845	12,74,021
Income from investments	5,03,666	3,17,141	3,77,456	4,45,398	5,25,570
Other Income	16,777	13,448	14,793	16,273	17,901
Total income	13,26,314	11,71,187	13,55,592	15,69,516	18,17,492
Commissions	32,553	37,388	42,996	49,445	56,614
Operating expenses	39,819	44,908	51,644	59,391	68,299
Benefits and bonuses paid	4,31,074	4,89,018	5,58,739	6,42,550	7,38,932
Change in liabilities (net)	7,84,313	5,57,001	6,65,060	7,77,455	9,08,844
Others	0	0	0	0	1
Total expenses	12,87,760	11,28,315	13,18,438	15,28,840	17,72,692
Surplus before tax	38,554	42,872	37,154	40,675	44,800
Provision for tax	10,833	13,038	15,098	17,489	20,266
Surplus after tax	27,915	29,945	22,183	23,333	24,704
Trf to shareholders' a/c	25,977	27,397	20,643	21,712	22,989
Balance being FFA	1,938	2,548	0	0	0

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Trf from policyholders' a/c	25,977	27,397	20,643	21,712	22,989
Income from investments	10,341	11,145	13,345	16,249	18,687
Contr. to policyholders' fund	(16,276)	(13,459)	(14,805)	(16,286)	(17,914)
Others	(620)	(136)	(170)	(207)	(207)
PBT	19,421	24,947	19,013	21,469	23,554
Provision for taxation	(483)	(814)	(475)	(537)	(589)
PAT	18,938	24,133	18,538	20,932	22,965
Dividend+Interim div.+DDT	2,705	2,707	2,707	2,707	2,707

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	1,49,086	1,69,854	1,83,759	2,01,984	2,22,241
Policyholders' funds	36,51,022	41,80,690	48,13,186	55,54,227	64,22,693
FFA	13,366	15,914	16,232	16,557	16,888
Others	1,14,357	1,42,775	1,45,630	1,48,543	1,51,514
Total liabilities	39,27,830	45,09,232	51,58,807	59,21,310	68,13,336
Shareholders' funds	1,30,364	1,46,045	1,67,951	1,93,144	2,22,116
Policyholders' funds	15,65,436	18,52,268	22,00,494	26,14,187	31,05,654
Assets to cover linked liab.	21,60,103	24,76,357	28,20,570	32,26,732	37,02,675
Others	0	0	0	0	0
Total assets	39,27,830	45,09,232	51,58,807	59,21,310	68,13,336

Key Metrics

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
AUM (Rs mn)	38,89,200	44,80,400	53,85,739	64,82,029	77,13,614
NBP (Rs mn)	3,82,383	3,55,768	4,37,883	5,03,566	5,79,101
APE (Rs mn)	1,97,200	2,14,200	2,41,322	2,73,387	3,10,917
VNB (Rs mn)	55,500	59,548	68,777	79,282	90,788
VNB margin (%)	28.1	27.8	28.5	29.0	29.2
Embedded value (Rs mn)	5,82,600	7,02,500	8,22,745	9,62,619	11,23,790
ROEV (%)	21.8	20.2	16.8	16.6	16.4
ROE (%)	13.6	15.1	10.5	10.9	10.8
Opex ratio (%)	4.9	5.3	5.3	5.3	5.3
Cost ratio (%)	8.9	9.7	9.7	9.7	9.7
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	18.9	24.1	18.5	20.9	22.9
BVPS (Rs)	148.9	169.6	183.4	201.6	221.8
EVPS (Rs)	581.7	701.2	821.3	960.9	1,121.8

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

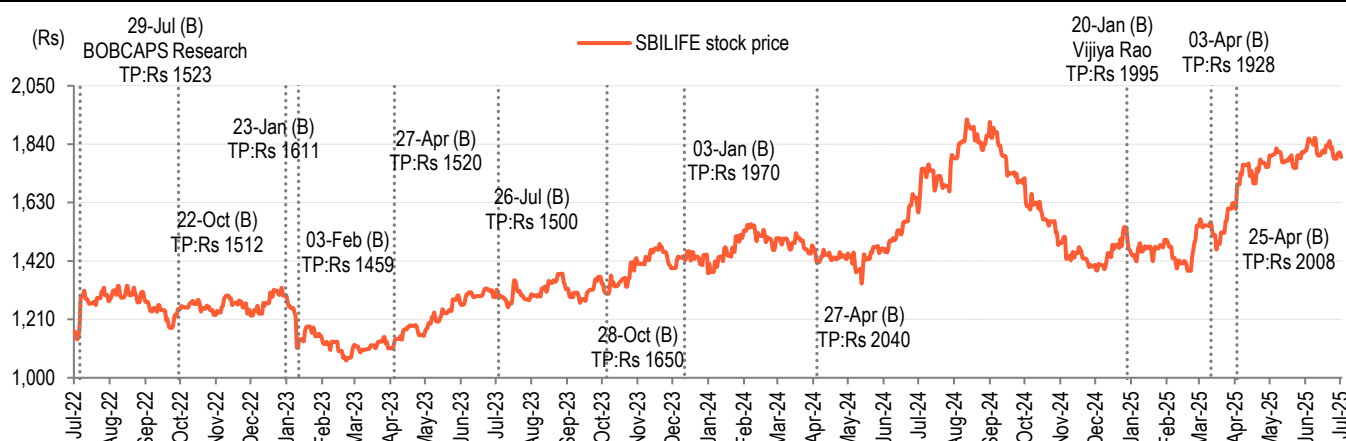
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SBI LIFE (SBILIFE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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